

**Top Secret**

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NATIONAL INTELLIGENCE DAILY CABLE

Wednesday 2 August 1978

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NATIONAL SECURITY INFORMATION

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National Intelligence Daily Cable for Wednesday, 2 August 1978

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The NID Cable is for the purpose of informing senior US officials.

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PORTUGAL: President's Plans

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[ ] Portuguese President Eanes yesterday said that the country's political parties have until the end of this week to develop the basis for a stable new government or face an early election. He suggested that a renewal of the Socialist - Center Democratic alliance, which fell apart two weeks ago, is still possible. While such an alliance remains the only likely party solution, the distance to be bridged between the two parties is considerable, and five or six days may not be enough time.

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[ ] Eanes will probably relent on his deadline if convinced by week's end that the two parties are at least making progress toward an agreement that will give majority support in the legislature to a new government. The Center Democrats have already declared themselves amenable to negotiations with the Socialists, but the Socialists are playing hard to get.

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[ ] The Socialists were deeply offended by the Center Democratic Party's unilateral decision to pull out of the government and by its public efforts to instigate cabinet changes aimed at correcting leftist tendencies in the government's agricultural and health policies. They were also angered by Eanes' decision to dismiss Mario Soares as Prime Minister and by the President's apparent backing of the Center Democratic position during the dispute.

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[ ] Posturing as the offended party may enhance the Socialists' bargaining position. The Center Democrats will probably reiterate their demand that leftist Agriculture Minister Saias be stripped of his portfolio, while the Socialists will insist that cabinet appointments are the Prime Minister's exclusive domain. The Socialists will also seek to retain some leftist programs, both to preserve party unity and to keep Communist-dominated labor and agricultural groups quiet.

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[ ] Face-saving compromises will be difficult in Portugal's emotionally charged atmosphere. But the threat of an early election--which no party seems to want--as well as the embarrassment of being subjected to a presidentially imposed solution and the advantages of having access to government-controlled media in the next election will encourage a reconciliation.

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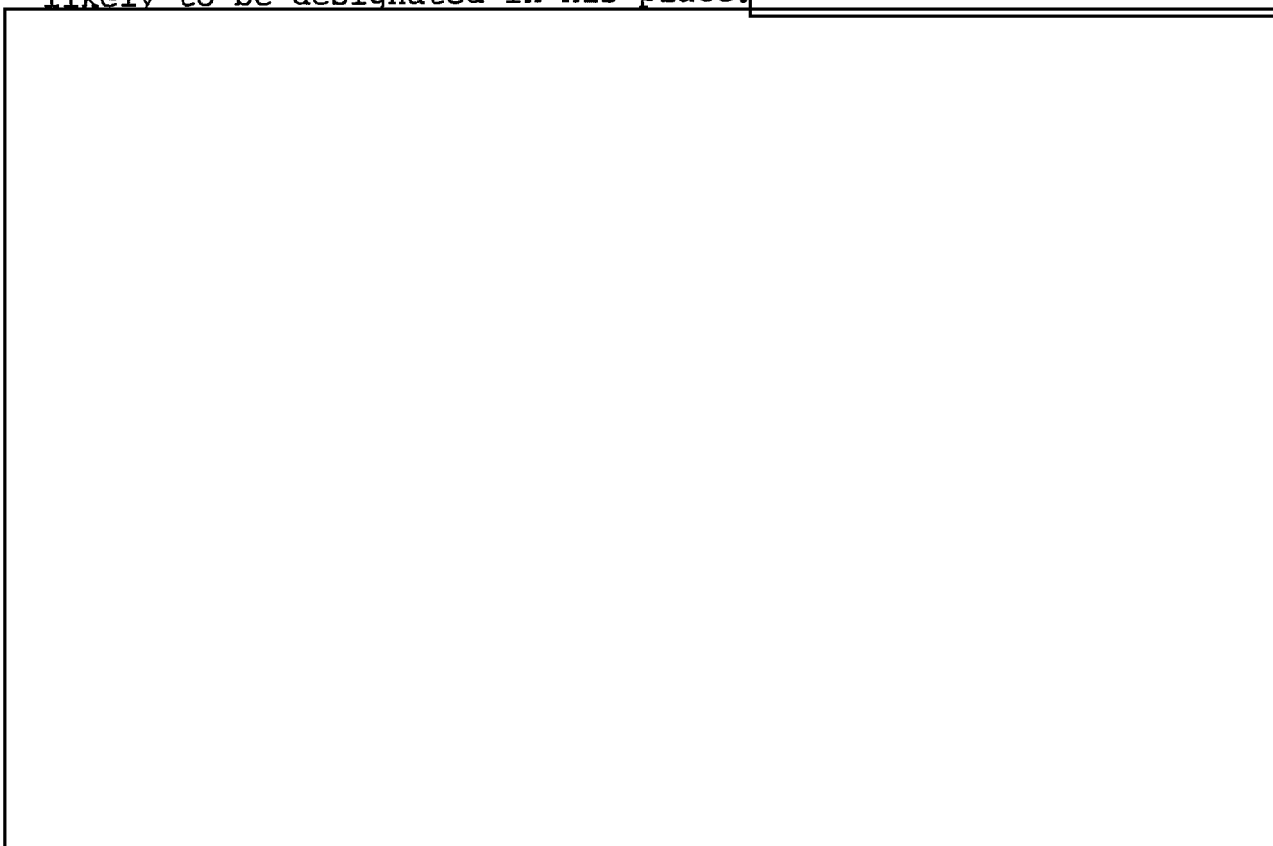
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[redacted] If the parties fail, Eanes will be waiting in the wings with his own hand-picked government of both political and nonpolitical figures, which would ostensibly prepare for an early election. This government of "personalities," however, would seek legislative approval of a program similar to that backed by the outgoing Socialist - Center Democratic alliance in hopes of staying in office until the regularly scheduled election in 1980. Such a government would also try to update obsolete election laws to assure a smooth early election in case the government collapsed--a strong possibility.

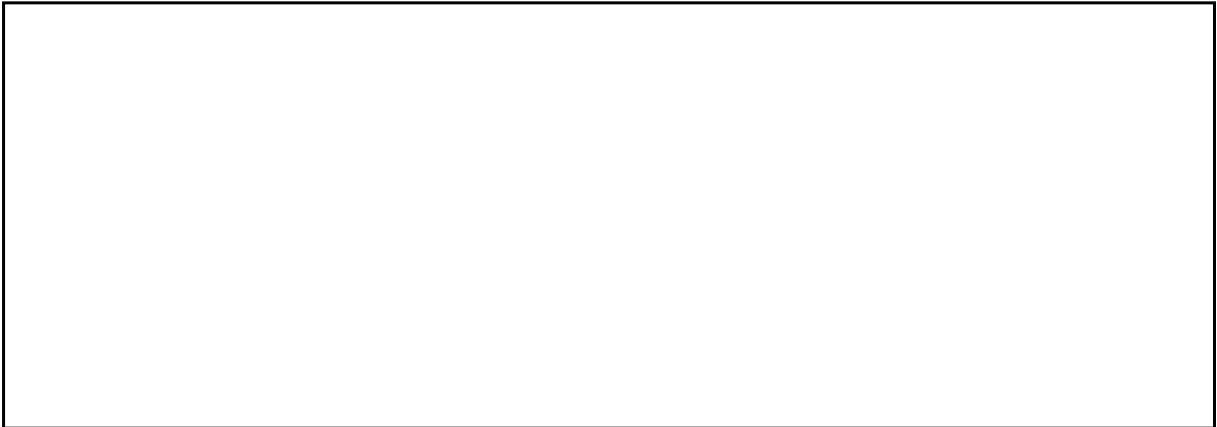
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[redacted] //Soares probably will not be invited to remain as Prime Minister unless an agreement between his party and the Center Democrats is reached. But because the Socialists control 102 of the legislature's 263 seats, a member of that party is likely to be designated in his place. [redacted]

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CHINA: Army Day Celebration

*China's celebration on Monday of the 51st anniversary of the founding of the People's Liberation Army was highlighted by a lengthy article by Defense Minister Hsu Hsiang-chien, the release of a 1944 military document drafted by Mao Tse-tung, and an editorial in the Liberation Army Daily that strongly supports Vice Chairman and Chief of Staff Teng Hsiao-ping. Teng himself addressed the traditional Defense Ministry reception.*

Hsu, currently hospitalized with an unspecified illness, missed the Army Day events. His health problems raise the possibility of future political wrangling over the post, for which Hsu himself was a compromise choice.

Hsu's article, published in the theoretical journal *Red Flag*, is a comprehensive discussion of China's military policy and gives the Army's perspective on foreign affairs. It is an unrelentingly anti-Soviet document, stridently denouncing the Soviet domestic and foreign policy and discussing in detail the Soviet military threat to China. The Defense Minister's discussion of the US was unusual only in its references to "a trend toward appeasement prevalent in the West"--a theme that has not been raised at this level in several months.

The *Liberation Army Daily* editorial was primarily a commentary on a 1944 report on political work drafted largely by Mao. The editorial finds in the report strong support for "seeking truth from facts"; this is the code phrase for Teng's



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flexible, pragmatic ideology, which is now the source of some controversy in China. The editorial also echoes some of Teng's criticism of the Army's political work.

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[ ] In his toast at the reception, Teng used the term "officers and men, junior and senior," a formulation that lends credence to rumors of the imminent reintroduction of some form of rank system into the armed forces. Ranks were abolished on the eve of the Cultural Revolution, and their reintroduction would be another indication of a return to a more professional and disciplined military. [ ]

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#### CHINA-VIETNAM: Refugee Problems

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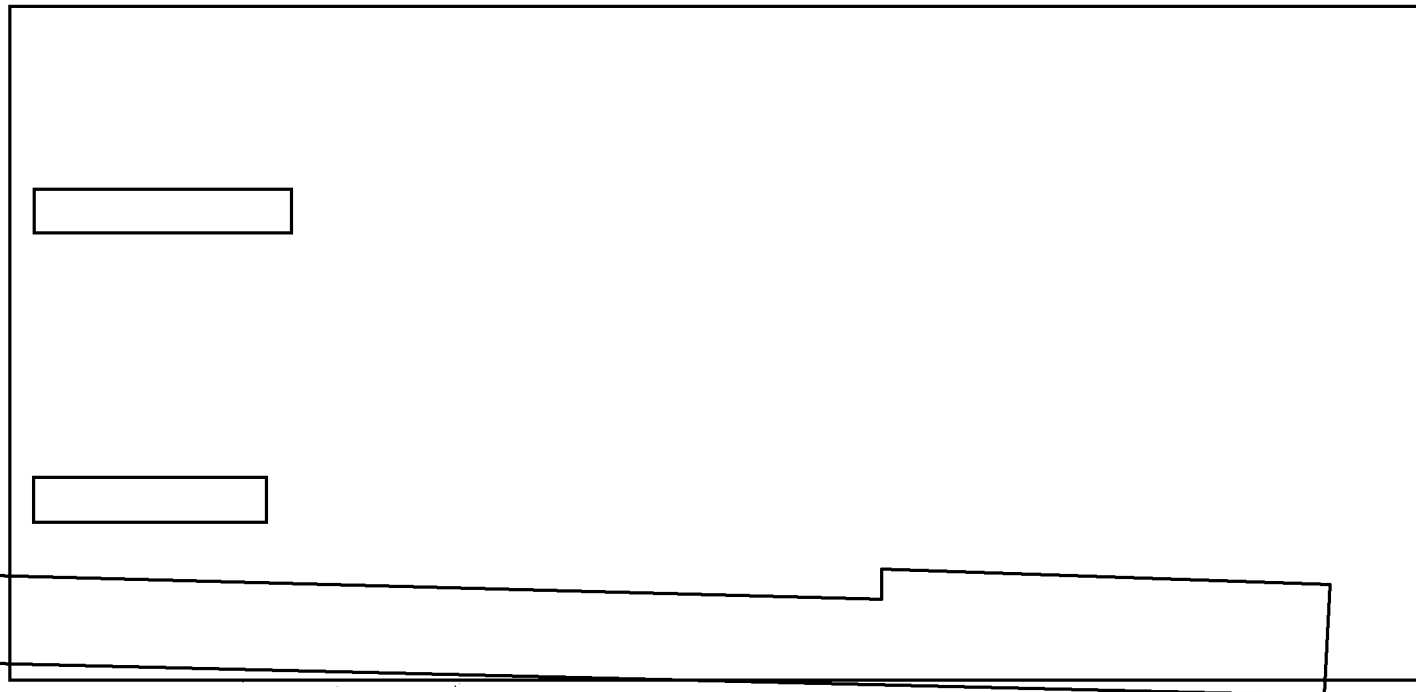
[ ] //China has moved quickly to resettle the approximately 160,000 Chinese refugees from Vietnam, but the massive influx is causing a variety of problems and sparking some resentment. These problems almost certainly were a major factor in Peking's decision in mid-July to close the border to refugees without proper documentation.//

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UK-RHODESIA: Conservative Split

*[Redacted] //A serious split has developed within the opposition Conservative Party over British policy toward Rhodesia since the return of the party's "shadow" foreign minister, John Davies, from a trip to southern Africa last month. The party's stance on Rhodesia is important because the Conservatives, if they win the general election expected in October, will become responsible for policy toward the former colony during a period critical to its future.//*

*[Redacted] //For more than a decade after Rhodesia broke away from the UK in 1965, British policy toward Rhodesia was generally bipartisan. During the current session of Parliament, however, the Conservatives have been increasingly critical of the Anglo-American plan, the Labor government's unwillingness to back the internal settlement between Rhodesian Prime Minister Smith and moderate black leaders, and the continuation of British economic sanctions.//*

*[Redacted] //Davies believes that the position of the transition regime in Rhodesia has deteriorated so far--primarily, he thinks, as a result of the Labor government's neglect--that the*



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lifting of economic sanctions is no longer as important as it might once have been. He argues that Conservative policy must take into account the strong possibility that the Patriotic Front nationalists eventually will win the war of attrition. The transition government, in Davies' view, has no choice but to negotiate now or surrender later to the Front.//

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[ ] //Davies, apparently with the support of moderate Conservative backbenchers, suggests a "return to legality"--a temporary period of British rule during which a contingent of British advisers would help prop up the present government, try to bring the Patriotic Front faction led by Joshua Nkomo into the internal settlement, and help supervise the elections that the transition regime has set for early December.//

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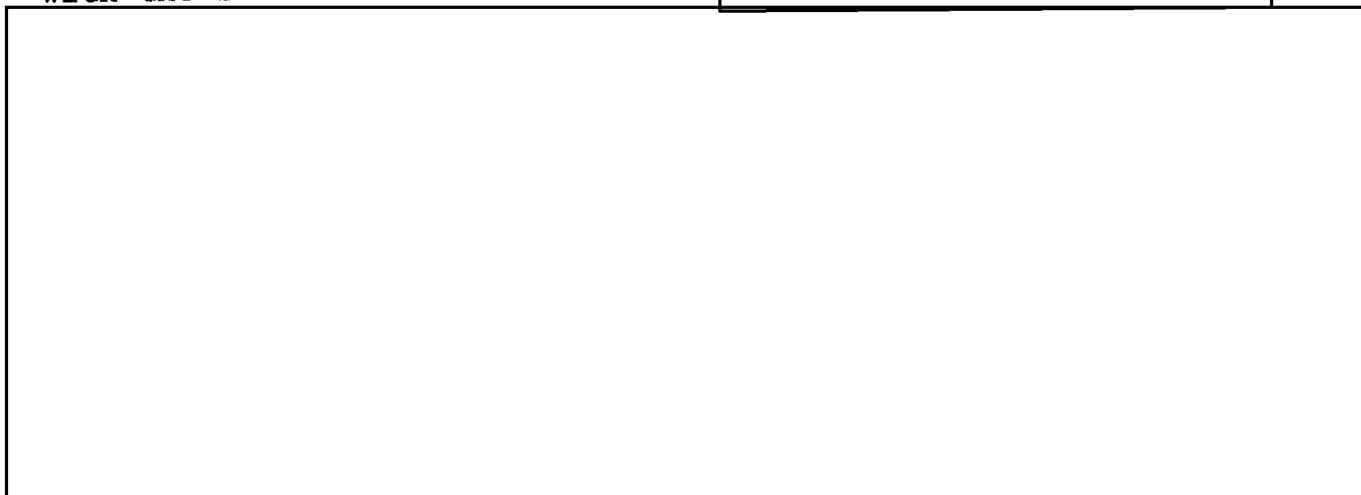
[ ] //This proposal is strikingly similar to parts of the Anglo-American plan and is an abrupt turnabout for Davies, who just over a month ago had bitterly attacked the government's overtures to the Patriotic Front and supported the lifting of economic sanctions. Details of the plan, which appears to have the support of the shadow cabinet, will be spelled out this week during a general debate in Parliament on Rhodesia.//

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[ ] //A substantial group of rightwing Conservative backbenchers who have not been convinced by Davies have signed a Parliamentary motion demanding an end to the sanctions. In an effort to reunite the party on Rhodesia, Davies has temporarily persuaded the group not to press the motion, apparently with the shadow cabinet's support. [ ]

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# BRIEFS

## Ghana

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[ ] Ghana's Head of State, General Akuffo, announced on Monday that he intends to hand over power to a popularly elected civilian government by 1 July 1979. That government is to be a transitional one; it is to rule for at least four years while decisions are worked out on a new constitution and governmental structure. Political parties and the military will be denied roles in the transitional regime. A commission has been formed to draft a constitution for the transitional government by this November.

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[ ] Although critics of the military doubtless welcome Akuffo's promise to return the Army to the barracks, some will be displeased by his failure to accelerate the return to democratic rule and by the interim, non-party character of the next government. Akuffo and other members of the ruling military council obviously have left to future Ghanaian leaders the job of erecting a lasting governmental system.

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[ ] The plan is a response to pressure from younger officers who want a quick withdrawal of the military from government as part of an effort to clean up the Army's tarnished image. In this connection, two more men who had been members of the council under ousted General Acheampong were replaced last week.

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Czechoslovakia

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[ ] Czechoslovak police last week briefly detained 10 dissidents, including playwright Vaclav Havel and actor Pavel Landovsky. According to dissident sources, they were held overnight for questioning and then released with the warning that they would soon be summoned again.

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[ ] Efforts to harass and intimidate dissidents are likely to become more frequent as 20 August--the 10th anniversary of the Soviet invasion--approaches. The regime has "advised" dissidents not to be in Prague around the time of the anniversary and apparently intends to use periodic detentions as a way to induce them to leave town. Some dissidents have already indicated that they intend to spend the anniversary in the countryside to avoid such preventive arrests.

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[ ] Charter 77 spokesmen still plan, however, to issue a statement condemning the invasion and the continued presence of Soviet troops in the country. [ ]

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Iceland

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[ ] Chairman of the Icelandic Social Democratic Party Bendikt Grondal has failed in his second effort to form a majority coalition government. Grondal--who had held a mandate to form a government since 12 July--indicated that his talks with the leftist People's Alliance and centrist Progressive Party leaders broke down because of fundamental disagreements about how to revive Iceland's flagging economy.

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[ ] The People's Alliance had earlier rejected outright Grondal's bid to form a coalition with his Social Democrats and the conservative Independence Party, headed by former Prime Minister Hallgrimsson, whose coalition government was turned out of office in the parliamentary election on 25 June. President Eldjarn probably will now ask Hallgrimsson to try to form a government.

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[ ] Hallgrimsson probably would turn first to the Social Democrats. The latter, however, have strong reservations about reviving the popular two-party coalition that governed from 1959 to 1971 because it undercut their leftist credentials.

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